

TOWNSHIP OF HILL
Ogemaw County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Hill	County Ogemaw
Audit Date March 31, 2007	Opinion Date June 11, 2007	Date Accountant Report Submitted to State: June 15, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Accountant Signature <i>Campbell, Kusterer & Co., PC</i>			

TOWNSHIP OF HILL
Ogemaw County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

June 11, 2007

To the Township Board
Township of Hill
Ogemaw County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Hill, Ogemaw County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Hill's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Hill, Ogemaw County, Michigan as of March 31, 2007, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF HILL
Ogemaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

This report covers Hill Township's financial performance during the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status is sound. We have incurred no debt, we operate on a pay as you go basis. Assets for the General Fund as of March 31, 2007, totaled \$1,050,178.11. Net assets for all funds as of March 31, 2007, totaled \$1,561,703.79. Governmental activities had a \$12,610.03 increase in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, Road Fund, Fire Fund, Gypsy Moth Fund, Capital Improvement Fund, Norway Shores Fund, Maple Road Fund and the Current Tax Collection Fund.

TOWNSHIP OF HILL
Ogemaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, the Road Fund, the Fire Fund, the Gypsy Moth Fund, Capital Improvement Fund, Maple Road Fund and the Norway Shores Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

During the year we paved East Countyline and graveled all roads in Shady Shores Park at a cost of \$55,219.30 paid from millage money. We had a Spring and Fall trash clean-up costing \$4,915.00. We also contracted with Cummings Township for the use of the Transfer Site allowing our residents to dispose of their household trash weekly. This cost was \$12,000.00 also paid from the General Fund.

We have no debt and our cash position in the governmental activities remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$381,374.51.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$17,947.54 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow at a 3% rate in taxable values with little demand for infrastructure, except good roads and trash disposal. We will be providing a means for trash disposal in the coming fiscal year with the Township paying the cost from the General Fund.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk at (989) 473-2325 or e-mail Clerkhill@aol.com.

TOWNSHIP OF HILL
Ogemaw County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	1 481 449 72
Taxes receivable	<u>31 619 53</u>
Total Current Assets	<u>1 513 069 25</u>
NON-CURRENT ASSETS:	
Capital Assets	101 757 54
Less: Accumulated Depreciation	<u>(53 123 00)</u>
Total Non-current Assets	<u>48 634 54</u>
TOTAL ASSETS	<u><u>1 561 703 79</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	48 634 54
Unrestricted	<u>1 513 069 25</u>
Total Net Assets	<u>1 561 703 79</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 561 703 79</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HILL
Ogemaw County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2007

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	18 709 37	-	(18 709 37)
General government	118 471 58	31 095 82	(87 375 76)
Public safety	47 023 88	-	(47 023 88)
Public works	299 062 68	106 773 00	(192 289 68)
Culture and recreation	1 027 16	-	(1 027 16)
Total Governmental Activities	<u>484 294 67</u>	<u>137 868 82</u>	<u>(346 425 85)</u>
General Revenues:			
Property taxes			211 635 96
State revenue sharing			111 677 75
Interest			11 302 13
Miscellaneous			<u>24 420 04</u>
Total General Revenues			<u>359 035 88</u>
Change in net assets			12 610 03
Net assets, beginning of year			<u>1 549 093 76</u>
Net Assets, End of Year			<u>1 561 703 79</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HILL
Ogemaw County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2007

	<u>General</u>	<u>Fire</u>	<u>Road</u>
<u>Assets</u>			
Cash in bank	1 031 833 83	149 896 04	125 461 42
Taxes receivable	17 871 30	6 059 36	7 338 87
Due from other funds	<u>472 98</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>1 050 178 11</u></u>	<u><u>155 955 40</u></u>	<u><u>132 800 29</u></u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>1 050 178 11</u>	<u>155 955 40</u>	<u>132 800 29</u>
Total fund equity	<u><u>1 050 178 11</u></u>	<u><u>155 955 40</u></u>	<u><u>132 800 29</u></u>
Total Liabilities and Fund Equity	<u><u>1 050 178 11</u></u>	<u><u>155 955 40</u></u>	<u><u>132 800 29</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Gypsy Moth</u>	<u>Other Funds</u>	<u>Total</u>
161 858 15	12 327 30	1 481 376 74
-	350 00	31 619 53
-	-	472 98
<u>161 858 15</u>	<u>12 677 30</u>	<u>1 513 469 25</u>
-	400 00	400 00
-	400 00	400 00
<u>161 858 15</u>	<u>12 277 30</u>	<u>1 513 069 25</u>
<u>161 858 15</u>	<u>12 277 30</u>	<u>1 513 069 25</u>
<u>161 858 15</u>	<u>12 677 30</u>	<u>1 513 469 25</u>

TOWNSHIP OF HILL
Ogemaw County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	1 513 069 25
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	101 757 54
Accumulated depreciation	<u>(53 123 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>1 561 703 79</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HILL
Ogemaw County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS

Year ended March 31, 2007

	<u>General</u>	<u>Fire</u>	<u>Road</u>
Revenues:			
Property taxes	64 245 31	66 816 23	80 574 42
State revenue sharing	111 677 75	-	-
Charges for services – PTAF	31 095 82	-	-
Interest	10 284 06	312 63	212 09
Special assessments	99 848 00	-	-
Miscellaneous	<u>24 420 04</u>	<u>-</u>	<u>-</u>
Total revenues	<u>341 570 98</u>	<u>67 128 86</u>	<u>80 786 51</u>
Expenditures:			
Legislative:			
Township Board	18 709 37	-	-
General government:			
Supervisor	13 251 96	-	-
Elections	5 036 71	-	-
Assessor	23 783 34	-	-
Clerk	14 609 23	-	-
Board of Review	4 180 98	-	-
Treasurer	17 552 07	-	-
Building and grounds	13 685 29	-	-
Cemetery	450 00	-	-
Unallocated	21 765 00	-	-
Public safety:			
Fire protection	-	46 807 88	-
Public works:			
Highways and streets	17 187 35	-	55 219 30
Street lighting	7 310 05	-	-
Sanitation	16 915 00	-	-
Weed control	193 675 00	-	-
Culture and recreation:			
Library	1 027 16	-	-
Capital outlay	<u>12 236 00</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>381 374 51</u>	<u>46 807 88</u>	<u>55 219 30</u>
Excess (deficiency) of revenues over expenditures	(39 803 53)	20 320 98	25 567 21
Fund balances, April 1	<u>1 089 981 64</u>	<u>135 634 42</u>	<u>107 233 08</u>
Fund Balances, March 31	<u><u>1 050 178 11</u></u>	<u><u>155 955 40</u></u>	<u><u>132 800 29</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Gypsy Moth</u>	<u>Other Funds</u>	<u>Total</u>
-	-	211 635 96
-	-	111 677 75
-	-	31 095 82
441 95	51 40	11 302 13
-	6 925 00	106 773 00
-	-	24 420 04
<u>441 95</u>	<u>6 976 40</u>	<u>496 904 70</u>
-	-	18 709 37
-	-	13 251 96
-	-	5 036 71
-	-	23 783 34
-	-	14 609 23
-	-	4 180 98
-	-	17 552 07
-	-	13 685 29
-	-	450 00
-	-	21 765 00
-	-	46 807 88
-	8 755 98	81 162 63
-	-	7 310 05
-	-	16 915 00
-	-	193 675 00
-	-	1 027 16
-	5 711 54	17 947 54
<u>-</u>	<u>14 467 52</u>	<u>497 869 21</u>
441 95	(7 491 12)	(964 51)
<u>161 416 20</u>	<u>19 768 42</u>	<u>1 514 033 76</u>
<u>161 858 15</u>	<u>12 277 30</u>	<u>1 513 069 25</u>

TOWNSHIP OF HILL
Ogemaw County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2007

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (964 51)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense (4 373 00)

Capital Outlay 17 947 54

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 12 610 03

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HILL
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Hill, Ogemaw County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Hill. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF HILL
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2006 tax roll millage rate was 2.3201 mills, and the taxable value was \$91,100,806.00.

TOWNSHIP OF HILL
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$25.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	15-50 years
Furniture and equipment	5-30 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

TOWNSHIP OF HILL
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 2 – Budgets and Budgetary Accounting (continued)

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 400 946 31</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	265 416 19
Uninsured and Uncollateralized	<u>1 141 893 20</u>
Total Deposits	<u>1 407 309 39</u>

The Township of Hill did not have any investments as of March 31, 2007.

TOWNSHIP OF HILL
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/06	Additions	Deletions	Balance 3/31/07
<u>Governmental Activities:</u>				
Land	11 225 00	-	-	11 225 00
Buildings	58 852 00	-	-	58 852 00
Equipment	<u>13 733 00</u>	<u>17 947 54</u>	-	<u>31 680 54</u>
Total	83 810 00	17 947 54	-	101 757 54
Accumulated Depreciation	<u>(48 750 00)</u>	<u>(4 373 00)</u>	-	<u>(53 123 00)</u>
Net Capital Assets	<u>35 060 00</u>	<u>13 574 54</u>	-	<u>48 634 54</u>

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering all full time employees. The Township contributes an amount of each employee's annual salary to the plan. The net pension expense for the fiscal year ended March 31, 2007, was \$2,445.87.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Hill does not issue building permits. Building permits are issued by the County of Ogemaw.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>72 98</u>	Current Tax Collection	<u>72 98</u>
Total	<u>72 98</u>	Total	<u>72 98</u>

TOWNSHIP OF HILL
Ogemaw County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	53 000 00	64 165 07	64 245 31	80 24
State revenue sharing	100 000 00	108 079 00	111 677 75	3 598 75
Charges for services – PTAF	28 000 00	31 362 27	31 095 82	(266 45)
Interest	3 061 00	10 216 39	10 284 06	67 67
Special assessments	126 000 00	103 595 84	99 848 00	(3 747 84)
Miscellaneous	8 426 00	53 552 98	24 420 04	(29 132 94)
Total revenues	318 487 00	370 971 55	341 570 98	(29 400 57)
Expenditures:				
Legislative:				
Township Board	24 300 00	24 300 00	18 709 37	(5 590 63)
General government:				
Supervisor	14 800 00	14 800 00	13 251 96	(1 548 04)
Elections	13 200 00	13 200 00	5 036 71	(8 163 29)
Assessor	30 000 00	30 000 00	23 783 34	(6 216 66)
Clerk	16 600 00	16 600 00	14 609 23	(1 990 77)
Board of Review	2 750 00	4 250 00	4 180 98	(69 02)
Treasurer	20 000 00	20 000 00	17 552 07	(2 447 93)
Building and grounds	14 000 00	14 000 00	13 685 29	(314 71)
Cemetery	500 00	500 00	450 00	(50 00)
Unallocated	217 000 00	215 500 00	21 765 00	(193 735 00)
Public works:				
Highways and streets	30 000 00	30 000 00	17 187 35	(12 812 65)
Street lights	7 200 00	7 320 00	7 310 05	(9 95)
Sanitation	17 000 00	17 000 00	16 915 00	(85 00)
Weed control	138 000 00	193 675 00	193 675 00	-
Culture and recreation:				
Library	720 00	1 030 00	1 027 16	(2 84)
Capital outlay	13 000 00	13 000 00	12 236 00	(764 00)
Total expenditures	559 070 00	615 175 00	381 374 51	(233 800 49)
Excess (deficiency) of revenues over expenditures	(240 583 00)	(244 203 45)	(39 803 53)	204 399 92
Fund balance, April 1	733 700 00	1 064 397 08	1 089 981 64	25 584 56
Fund Balance, March 31	493 117 00	820 193 63	1 050 178 11	229 984 48

TOWNSHIP OF HILL
Ogemaw County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	61 000 00	67 176 46	66 816 23	(360 23)
Interest	<u>150 00</u>	<u>304 97</u>	<u>312 63</u>	<u>7 66</u>
Total revenues	<u>61 150 00</u>	<u>67 481 43</u>	<u>67 128 86</u>	<u>(352 57)</u>
Expenditures:				
Public safety:				
Fire protection	<u>51 000 00</u>	<u>51 000 00</u>	<u>46 807 88</u>	<u>(4 192 12)</u>
Total expenditures	<u>51 000 00</u>	<u>51 000 00</u>	<u>46 807 88</u>	<u>(4 192 12)</u>
Excess (deficiency) of revenues over expenditures	10 150 00	16 481 43	20 320 98	3 839 55
Fund balance, April 1	<u>70 000 00</u>	<u>129 299 45</u>	<u>135 634 42</u>	<u>6 334 97</u>
Fund Balance, March 31	<u><u>80 150 00</u></u>	<u><u>145 780 88</u></u>	<u><u>155 955 40</u></u>	<u><u>10 174 52</u></u>

TOWNSHIP OF HILL
Ogemaw County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROAD FUND
Year ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	74 000 00	80 991 72	80 574 42	(417 30)
Interest	<u>460 00</u>	<u>204 07</u>	<u>212 09</u>	<u>8 02</u>
Total revenues	<u>74 460 00</u>	<u>81 195 79</u>	<u>80 786 51</u>	<u>(409 28)</u>
Expenditures:				
Public works:				
Highways and streets	<u>154 460 00</u>	<u>55 219 30</u>	<u>55 219 30</u>	<u>-</u>
Total expenditures	<u>154 460 00</u>	<u>55 219 30</u>	<u>55 219 30</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(80 000 00)	25 976 49	25 567 21	(409 28)
Fund balance, April 1	<u>105 000 00</u>	<u>99 662 02</u>	<u>107 233 08</u>	<u>7 571 06</u>
Fund Balance, March 31	<u>25 000 00</u>	<u>125 638 51</u>	<u>132 800 29</u>	<u>7 161 78</u>

TOWNSHIP OF HILL
Ogemaw County, Michigan

BUDGETARY COMPARISON SCHEDULE – GYPSY MOTH FUND
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	<u>520 00</u>	<u>437 71</u>	<u>441 95</u>	<u>4 24</u>
Total revenues	<u>520 00</u>	<u>437 71</u>	<u>441 95</u>	<u>4 24</u>
Expenditures:				
Public works:				
Gypsy moth	<u>40 100 00</u>	<u>40 000 00</u>	<u>-</u>	<u>(40 000 00)</u>
Total expenditures	<u>40 100 00</u>	<u>40 000 00</u>	<u>-</u>	<u>(40 000 00)</u>
Excess (deficiency) of revenues over expenditures	(39 580 00)	(39 562 29)	441 95	40 004 24
Fund balance, April 1	<u>161 000 00</u>	<u>161 396 66</u>	<u>161 416 20</u>	<u>19 54</u>
Fund Balance, March 31	<u>121 420 00</u>	<u>121 834 37</u>	<u>161 858 15</u>	<u>40 023 78</u>

TOWNSHIP OF HILL
Ogemaw County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
March 31, 2007

	<u>Fire</u>	<u>Road</u>	<u>Gypsy Moth</u>
<u>Assets</u>			
Cash in bank	149 896 04	125 461 42	161 858 15
Taxes receivable	<u>6 059 36</u>	<u>7 338 87</u>	<u>-</u>
Total Assets	<u>155 955 40</u>	<u>132 800 29</u>	<u>161 858 15</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Unreserved:			
Undesignated	<u>155 955 40</u>	<u>132 800 29</u>	<u>161 858 15</u>
Total fund balances	<u>155 955 40</u>	<u>132 800 29</u>	<u>161 858 15</u>
Total Liabilities and Fund Balances	<u>155 955 40</u>	<u>132 800 29</u>	<u>161 858 15</u>

<u>Norway Shores</u>	<u>Maple Road</u>	<u>Capital Improvement</u>	<u>Total</u>
7 054 16	1 363 22	3 909 92	449 542 91
<u>200 00</u>	<u>150 00</u>	<u>-</u>	<u>13 748 23</u>
<u>7 254 16</u>	<u>1 513 22</u>	<u>3 909 92</u>	<u>463 291 14</u>
-	400 00	-	400 00
<u>-</u>	<u>400 00</u>	<u>-</u>	<u>400 00</u>
7 254 16	1 113 22	3 909 92	462 891 14
<u>7 254 16</u>	<u>1 113 22</u>	<u>3 909 92</u>	<u>462 891 14</u>
<u>7 254 16</u>	<u>1 513 22</u>	<u>3 909 92</u>	<u>463 291 14</u>

TOWNSHIP OF HILL
Ogemaw County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS
Year ended March 31, 2007

	<u>Fire</u>	<u>Road</u>	<u>Gypsy Moth</u>
Revenues:			
Property taxes	66 816 23	80 574 42	-
Special assessments	-	-	-
Interest	<u>312 63</u>	<u>212 09</u>	<u>441 95</u>
Total revenues	<u>67 128 86</u>	<u>80 786 51</u>	<u>441 95</u>
Expenditures:			
General government:			
Building and grounds	-	-	-
Public safety:			
Fire protection	46 807 88	-	-
Public works:			
Highways and streets	-	55 219 30	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>46 807 88</u>	<u>55 219 30</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	20 320 98	25 567 21	441 95
Fund balances, April 1	<u>135 634 42</u>	<u>107 233 08</u>	<u>161 416 20</u>
Fund Balances, March 31	<u><u>155 955 40</u></u>	<u><u>132 800 29</u></u>	<u><u>161 858 15</u></u>

<u>Norway Shores</u>	<u>Maple Road</u>	<u>Capital Improvement</u>	<u>Total</u>
-	-	-	147 390 65
3 700 00	3 225 00	-	6 925 00
<u>17 37</u>	<u>8 93</u>	<u>25 10</u>	<u>1 018 07</u>
<u>3 717 37</u>	<u>3 233 93</u>	<u>25 10</u>	<u>155 333 72</u>
-	-	-	-
-	-	-	46 807 88
988 46	7 767 52	-	63 975 28
<u>-</u>	<u>-</u>	<u>5 711 54</u>	<u>5 711 54</u>
<u>988 46</u>	<u>7 767 52</u>	<u>5 711 54</u>	<u>116 494 70</u>
2 728 91	(4 533 59)	(5 686 44)	38 839 02
<u>4 525 25</u>	<u>5 646 81</u>	<u>9 596 36</u>	<u>424 052 12</u>
<u>7 254 16</u>	<u>1 113 22</u>	<u>3 909 92</u>	<u>462 891 14</u>

TOWNSHIP OF HILL
Ogemaw County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2007

	<u>Balance</u> <u>4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/07</u>
<u>Assets</u>				
Cash in Bank	<u>77 63</u>	<u>2 992 130 78</u>	<u>2 992 135 43</u>	<u>72 98</u>
<u>Liabilities</u>				
Due to other funds	77 63	360 958 69	360 963 34	72 98
Due to others	<u>-</u>	<u>2 631 172 09</u>	<u>2 631 172 09</u>	<u>-</u>
Total Liabilities	<u>77 63</u>	<u>2 992 130 78</u>	<u>2 992 135 43</u>	<u>72 98</u>

TOWNSHIP OF HILL
Ogemaw County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2007

Cash in bank – beginning of year	<u>77 63</u>
Cash receipts:	
Property taxes	2 991 840 94
Interest	<u>289 84</u>
Total cash receipts	<u>2 992 130 78</u>
Total beginning balance and cash receipts	<u>2 992 208 41</u>
Cash disbursements:	
Township General Fund	220 705 59
Township Road Fund	73 066 27
Township Fire Fund	60 616 48
Township Norway Shores Fund	3 500 00
Township Maple Road Fund	3 075 00
Ogemaw County	1 182 580 77
Kirtland Community College	95 331 92
COOR	37 525 39
West Branch – Rose City School District	606 052 39
Iosco Intermediate School District	34 249 27
Hale School District	628 926 81
Ogemaw District Library	25 059 49
Londo Lake Improvement Board	3 390 66
Refunds	<u>18 055 39</u>
Total cash disbursements	<u>2 992 135 43</u>
Cash in Bank – End of Year	<u><u>72 98</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 11, 2007

To the Township Board
Township of Hill
Ogemaw County, Michigan

We have audited the financial statements of the Township of Hill for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Hill in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Hill
Ogemaw County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,


CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants